

Message Text

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PAGE 01 BUCAR 01956 061646Z

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 CIAE-00 INR-07 NSAE-00

INRE-00 SSO-00 /027 W

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O R 061550Z MAY 75

FM AMEMBASSY BUCHAREST

TO SECSTATE WASHDC IMMEDIATE 2600

INFO AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ETRD, RO

SUBJ: INFORMATION ON US FIRMS ACTIVE IN ROMANIA

REF: STATE 104374

1. FOLLOWING IS COMPANY-BY-COMPANY SUMMARY OF PRINCIPAL PROBLEMS ENCOUNTERED BY US FIRMS IN OPENING OFFICES AND CONDUCTING OPERATIONS IN ROMANIA WITH CITATIONS TO APPLICABLE POST REPORTING. COMPILED BY NEOGPTE E/C COUNSELOR IN ABSENCE OF SECTION'S TWO MOST EXPERIENCED OFFICERS, IT REPRESENTS OUR BEST ONE-DAY EFFORT.

A. MANUFACTURERS-HANOVER TRUST. MOST SERIOUS INSTITUTIONAL/JURIDICAL PROBLEM APPEARS TO BE MECHANISM FOR COMPENSATING EMPLOYEES UNDER WHICH MFT REPORTEDLY PAYS BANK FOR FOREIGN TRADE HARD CURRENCY EQUIVALENT OF WESTERN SALARY, CONVERTED BY BANK AT LEI 7.5 EQUAL \$1. BANK THEN WITHHOLDS PORTION OF LEI EQUIVALENT, RETURNING TO MHT FOR SALARY PAYMENT. (DECREE UNDER WHICH BANK ESTABLISHED IS NOT RPT NOT SAME AS ONE GOVERNING "REPRESENTATIONS" AS DEFINED UNDER BILATERAL TRADE AGREEMENT). SECOND, HOPEFULLY TRANSITORY COMPLAINT IS INORDINATE AMOUNT OF EXECUTIVE TIME REQUIRED TO OVERSEE AND EXPEDITE CONSTRUCTION OF BANK'S ENLARGED, PERMANENT QUARTERS. OVERRIDING CONCERN--ONE NOT WHOLLY ATTRIBUTABLE TO GOR--IS SIMPLY GENERATION OF ENOUGH BUSINESS TO WARRANT CONSIDERABLE EXPENSE OF FACILITY.

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PAGE 02 BUCAR 01956 061646Z

(CLARK/CHRISTENSEN LETTER OF 4/23/75).

B. ROM CONTROL DATA. PROVISION OF ADEQUATE HOUSING FOR AMERICAN EMPLOYEES WAS SUBJECT OF LONG NEGOTIATIONS WITH GOR. CURRENT PROBLEM FOR JOINT VENTURE IS, FROM STANDPOINT OF ROMANIAN PERFORMANCE, DIFFICULTY IN OBTAINING IN TIMELY FASHION DESIRED VOLUME AND RANGE OF LOCALLY MANUFACTURED PARTS WHICH FIRM BUYS FROM ROMANIAN VENDORS. PRINCIPAL DIFFICULTIES, HOWEVER, HAVE BEEN EXOGENOUS: (1) DEPRESSED STATE OF GLOBAL MARKET FOR PERIPHERALS, (2) LESS THAN OPTIMAL SUPPORT FROM CDC AND (3) AND DELAY IN APPROVAL OF EXCON APPLICATION FOR TEXT COMPUTER. (CLARK/CHRISTENSEN LETTER 4/23/74; BUCHAREST 1102; AMB/CDC MEMCON OF 3/19/75).

C. PAN AM. GOR HAS REPORTEDLY BEEN EXCEEDINGLY COOPERATIVE IN REESTABLISHMENT OF PAN AM OPERATIONS. REMAINS TO BE SEEN WHETHER LIMITATIONS EXPERIENCED PRIOR TO SUSPENSION OF SERVICE, ESPECIALLY INABILITY TO MAKE DIRECT SALES OF TRANSPORTATION FOR LOCAL CURRENCY, CAN BE ELIMINATED. FOR NOW PAN AM PREFERS TO AVOID RECOURSE TO BILATERAL AIR AGREEMENT.

D. SINGER. EXPENSIVE, CRAMPED OFFICES SPACE IN INTER-CONTINENTAL WAS UNTIL RECENTLY CONTINUED SOURCE OF SINGER DISSATISFACTION --NOW REMOVED BY SHIFT TO MORE SPACIOUS, MODESTLY LESS-EXPENSIVE QUARTERS. SINGER ALSO REQUESTED AND RECEIVED EMB INTERVENTION ON BEHALF OF ITS REPRESENTATIVE, WHO FACED EVICTION FROM APARTMENT IN TERMS OF DECREE FORBIDDING FOREIGNERS TO STAY IN PRIVATE ROMANIAN HOUSING. AGAIN, BASIC PROBLEM HAS BEEN THAT INSUFFICIENT BUSINESS HAS BEEN STIMULATED TO MAKE OFFICE ECONOMICALLY VIABLE.

E. MOODY INTERNATIONAL. GHIMUS, ROMANIAN NATIONAL WHO IS LOCAL REP,\$ HAS BEEN INFORMED BY GOR HE CAN NO LONGER UTILIZE HOUSE AS PLACE OF BUSINESS FOR FOREIGN FIRM. HE IS LOOKING FOR AND HAVING DIFFICULTY FINDING SUITABLE, ALTERNATIVE PREMISES.

F. IBM. AS OF LAST REPORT THIRD-COUNTRY NATIONAL WHO HEADS OPERATION CONTINUING EXTENDED SOJOURN IN HOTEL AWAITING PERMANENT QUARTERS.

G. UNIVERSAL OIL PRODUCTS. BOEING. GENERAL TIRE. OFFSHORE DRILLING CO. ALL FOUR FIRMS ENGAGED IN SUPPLYING LIMITED OFFICIAL USE

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PAGE 03 BUCHAR 01956 061646Z

CONTRACT SERVICES TO GOR HAVE FACED HOUSING PROBLEMS. IN ADDITION UOP DEPENDENTS WERE THREATENED WITH IMPOSITION OF TOURIST REQUIREMENT FOR \$10/DAY FOREIGN EXCHANGE CONVERSION BUT MATTER SEEMINGLY RESOLVED FAVORABLY AFTER INTERCESSION BY EMBASSY.

2. VIRTUALLY ALL OF ABOVE INFORMATION IS, OF COURSE, SENSITIVE FROM PROPRIETARY STANDPOINT AND SHOULD, FOR THAT REASON, NOT

RPT NOT BE DISCLOSED IN SUBCOMMITTEE HEARING, WHETHER OPEN OR CLOSED.

3. FOR PURPOSES OF SUBCOMMITTEE HEARING, COMPOSITE PICTURE OF PROBLEMS ENCOUNTERED REMAINS MUCH AS CATALOGUED IN BRIEFING MATERIALS FOR LAST YEAR'S BILATERAL COMMISSION MEETING. BASIC AMONG CONCERNS OF FIRMS APPEARS TO BE PRIVATE HOUSING, WHERE MUNICIPAL COUNCILS' CONTROL OVER HOUSING AND GENUINE LACK OF AVAILABILITY OF QUARTERS ACCEPTABLE TO WESTERNERS CONTINUES TO MAKE FOR LONG DELAYS IN LOCATION OF PRIVATE DWELLINGS. ALMOST EQUALLY TROUBLESOME HAS BEEN SHORTAGE AND EXCESSIVE COST OF OFFICE SPACE, WHERE ROMANIAN EFFORTS TO GOUGE FOREIGN FIRMS HAS BEEN BOTH ANNOYING AND BURDENSOME. IN ADDITION, THERE REMAINS, OF COURSE, PROBLEMS WITH HIRING AND COMPENSATION OF EMPLOYEES, ACCESS TO COMMUNICATIONS, AND ACQUISITION OF OFFICE EQUIPMENT, AND AFTER-HOURS ISOLATION FROM ROMANIAN SOCIETY.

4. EMBASSY COUNSELLING SERVES TO POINT OUT RISKS AND, IF HEEDED, MINIMIZE THEM. FIRMS ANXIOUS TO SECURE BUSINESS MAY, OF COURSE, BE WILLING TO RUN RISKS AND INCUR DISCOMFORTS IN BELIEF THAT RETURNS WILL BE SUFFICIENTLY ATTRACTIVE.

5. EARNINGS APPEAR TO BE CRUX. IF THESE WERE HIGHER, WE SUSPECT THAT MOST PROBLEMS MIGHT SIMPLY BE WRITTEN OFF AS ONE OF SUSTAINABLE, ALTHOUGH NEGATIVE FACETS OF DOING BUSINESS HERE. SO FAR, HOWEVER, AT LEAST HALF OF FIRMS ABOVE HAVE FOUND MARKET PENETRATION TO BE FAR TOUGHER THAN CONCEIVED AT OUTSET. WITH SALES NOT CLIMBING AS ANTICIPATED, ROMANIAN EFFORTS TO EXTRACT FOREIGN EXCHANGE FROM FOREIGN REPRESENTATIONS AND SHORTAGE OF AMENITIES AND FACILITIES ASSUME ADDED IMPORTANCE.

6. HOW MUCH OF AN IMPACT US-ROMANIAN TRADE AGREEMENT WILL HAVE LIMITED OFFICIAL USE

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PAGE 04 BUCHAR 01956 061646Z

IS PROBLEMATIC. WE NOTE THAT REPRESENTATIVES FROM WESTERN COMPETITORS WHICH HAVE BILATERALS SHARE MANY OF SAME COMPLAINTS. PRESUMABLY AS OUR FIRMS BECOME MORE KNOWLEDGEABLE OF CONDITIONS IN ROMANIA AND OTHER COUNTRIES AND AS ROMANIANS GAIN GREATER APPRECIATION OF NEEDS OF RESIDENT BUSINESSMEN WE WILL SEE GREATER ACCOMMODATION AND FEWER PROBLEMS.

BARNES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, BUSINESS FIRMS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUCHAR01956
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750158-0774
From: BUCHAREST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750575/aaaacqfb.tel
Line Count: 161
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 104374
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2003 by ElyME>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INFORMATION ON US FIRMS ACTIVE IN ROMANIA
TAGS: ETRD, RO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006